No Rivals: The Prophet (Part I)

Founders Fund, led by Peter Thiel, has ascended to the pinnacle of Silicon Valley. Its fundamental genius is wanting differently.

MARIO GABRIELE

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Illustration by Edmon de Haro, photograph by Gage Skidmore

Friends,

In January of 2024, we asked you, our readers, which startup or venture fund you most wanted us to cover in a deep dive. The answer was unequivocal: Founders Fund.

Over the past 18 months, we've been working on that story. Today, at long last, we're sharing the fruits of those efforts.

"No Rivals" is a four-part series spanning more than 35,000 words. It will run over the next four weeks. It's the most comprehensive examination of Silicon Valley's most controversial venture firm, its extraordinary performance, and its remarkable cultural influence. The series is the product of extensive research, interviews with more than a dozen key figures, and a detailed analysis of Founders Fund's previously undisclosed returns.

It's a story featuring globally visible characters—Thiel, Musk, Altman, Zuckerberg, Trump—and secretive power brokers who shun the spotlight. It's a story of philosophy and technology, spite and vision, political maneuvering and spectacular windfalls.

Given the depth and exclusivity of this reporting, the full series is available only to subscribers of our premium newsletter, Generalist+. For $22 per month or $220 per year, you'll get unprecedented access to Founders Fund's performance data, detailed case studies of their biggest wins and losses, and insights into how they've shaped Silicon Valley and Washington. If you work in tech, venture capital, or traditional investing, this series alone should more than justify a year's subscription.

Part I: The Prophet

Peter Thiel was nowhere to be seen.

On January 20, escaping a bitter winter storm, America's most powerful gathered beneath the Capitol dome to celebrate Donald J. Trump's inauguration as the 47th president.

The usual suspects were in attendance, mingling with a new guard: UFC impresario Dana White lurking a few feet behind Barack Obama, George W. Bush a simple football toss away from Joe Rogan, OpenAI's Sam Altman conversing excitedly with influencer Logan Paul. Welcome to the New America; you don't need a podcast to work here, but it helps.

If you have even a passing interest in technology and venture capital, it is difficult to review photos from the event and not think of Thiel. He does not appear once, and yet he is everywhere.

There is his former employee, now the Vice President of the United States. A few feet away is an old *Stanford Review* buddy, newly named Trump's "AI and crypto czar." Further along sits one of his first angel investments, the CEO and founder of a little company called Meta. Next to him is a friend turned nemesis turned partner — the founder of Tesla and SpaceX, ringleader of DOGE, and richest man in the world. Thiel's favorite philosopher, René Girard, describes divinity as a kind of "transcendental absence." Studying the figures swarming beneath a fresco of George Washington's apotheosis, this is the quality of Thiel's presence and non-presence.

It would be too much to say that Thiel designed such a moment. But throughout his career, the former chess prodigy has shown an uncanny gift for seeing twenty moves into the future and pushing key pieces into position: JD to b4, Sacks to f3, Zuck to a7, Elon to g2, Trump to e8. He does so across power centers, moving between New York finance, Silicon Valley tech, and Washington's military industrial complex. He employs a puzzling blend of discretion and impropriety, disappearing for months on end only to pop up with a spiky bon mot, a head-scratching new investment, or a titillating vendetta. Many of these maneuvers look like blunders at first, only for time to reveal them to be indications of stunning foresight.

At the heart of Thiel's power, influence, and wealth is Founders Fund. No organization has benefited more from his singular abilities, and those of the team he has assembled, than the venture firm. Since launching in 2005, Founders Fund has grown from a $50 million inaugural fund, with a novice investing team and little brand equity, into a

Silicon Valley powerhouse, boasting billions under management and what looks like the best full-stack investing team in the industry. It has done so while cultivating a polarizing, piratical image — venture capital in the styling of the Oakland Raiders or the "Bad Boy" Pistons of the early 1990s, if Dennis Rodman adored Leo Strauss.

The numbers have justified Founders Fund's swagger. Concentrated bets on SpaceX, bitcoin, Palantir, Anduril, Stripe, Facebook, and Airbnb have delivered a string of hit vintages even as fund sizes have grown. In its 2007, 2010, and 2011 vehicles, Founders Fund can lay claim to a trio of the asset class's best-ever vintages, producing gross multiples of 26.5x, 15.2x, and 15x from $227 million, $250 million and $625 million, respectively.

The Generalist has spent over a year studying Thiel's firm, its ascent to the pinnacle of Silicon Valley, remarkable influence, and impact it has had on the venture capital industry and the world beyond. It is a story populated by many of tech's most vivid characters and marked by unpopular choices, sharp elbows, and, yes, contrarian thinking. More than anything, Founders Fund is a story about the power of *wanting differently*. In an asset class predisposed to posturing and mimesis (one of Thiel's pet subjects), Founders Fund has succeeded by directing its desires uncommonly.

To build this picture of Founders Fund, The Generalist interviewed over a dozen sources, including leadership, longtime LPs, and some of the exceptional entrepreneurs the firm has backed. We have also reviewed fund material, including a detailed picture of Founders Fund's performance. The result is the definitive case study of an outlier organization.

Pals

If you do not want to work for Peter Thiel, you must avoid meeting him.

The French diplomat Charles-Maurice de Talleyrand-Périgord, Napoleon's foreign minister, was said to be so interesting, so charming, that it was almost dangerous to spend too much time in his company. Contemporaries described his smile as

“paralyzing,” while the salonist Madame de Staël, no stranger to grandiloquence, gushed of Talleyrand, “If his conversation was for sale, I should ruin myself.”

Peter Thiel seems to have a similarly transfixing effect. In studying Founders Fund’s origins, evidence of this referent power appeared repeatedly: a chance encounter with Thiel bewitching the listener to move cities, forgo prestige, and alter career plans, to spend a little more time in the strange moonlight of his mind.

Listen to Thiel speak — on the stage at a conference or during a rare podcast appearance — and it’s plain his magnetism does not come from a diplomat’s oleaginous patter. Rather, it stems from a polymathic ability to dance across subjects, to frame a conversation as an invitation into a secret, to red-pill with the sophistication of a tweed-jacketed Trinity College professor. Who else can write a canonical book on startups by way of Lucretius, Fermat’s Last Theorem, and Ted Kaczynski that also argues for the virtuousness of monopolies and the wisdom of running one’s business like a cult? How many other minds contain this range of rigor and irreligion?

Before forming Founders Fund with Thiel in 2004, Ken Howery and Luke Nosek fell under his spell years earlier.

Ken Howery's conversion experience arrived as an economics undergraduate at Stanford. In *Zero to One*, Thiel's business philosophy book published in 2014, he describes Howery as the only one of PayPal's founders to "fit the stereotype of a privileged American childhood," the company's "sole Eagle Scout."

Born and raised in Texas, Howery moved to California in 1994 for college, where he began writing for *The Stanford Review*, a conservative student publication Thiel had co-founded seven years earlier. It was through the *Review* that Thiel and Howery first met, connecting at an alumni event in his early years at Stanford. They stayed in touch as Howery progressed through his education and rose to the position of managing editor in his senior year.

Ahead of the Texan's graduation, Thiel presented an offer: Would Howery like to be the first employee at Thiel's fledgling hedge fund? He suggested the pair discuss the opportunity over a meal at Sundance, a Palo Alto steakhouse. It did not take long for Howery to realize that this would not be a traditional recruiting dinner. What followed was a four-hour tour of Thiel's mind, with the upstart investor in full mesmer mode.

"Everything we talked about, from politics to philosophy to entrepreneurship — I felt he had more interesting views on them than almost anyone I had met during my four years at Stanford," Howery recalled. "I was super-impressed by the breadth and depth of his knowledge."

In spite of that, Howery wasn't ready to commit to Thiel's offer on the spot. He said he'd have to think it over. But when he returned to campus that evening, Howery recalled telling his girlfriend, "I think I might work with this guy for the rest of my career."

There was just one impediment: Howery had intended to move to New York for a well-paid banking job at ING Barings. In the weeks that followed, the Stanford senior conducted an informal survey. He asked his family and close friends which of the two jobs he should take: the lucrative, prestigious Barings position or the hazy post with a new acquaintance of unknown abilities and just $4 million under management? "One

hundred percent of them told me to take the bank job," Howery said. "I thought over it for a few weeks and decided to ignore their advice and do the non-obvious thing."

Before graduation, Howery attended a talk his new boss was giving on Stanford's campus. A pale young man with a crop of brown curly hair sat next to Howery and, before the lecture began, leaned over and asked him if he was Peter Thiel.

No, Howery told him. *But I'm working for him.*

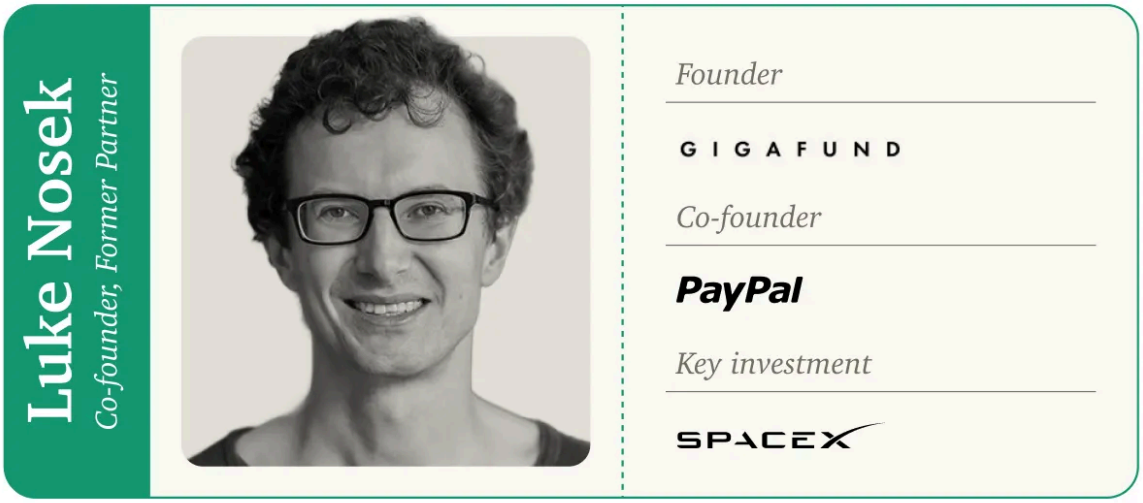
The young man introduced himself as Luke Nosek, passing Howery a business card that said, simply, "Entrepreneur." *I build companies*, Nosek explained.

"I was just instantly fascinated," Howery said.

As it turned out, Nosek was building a company that Thiel had *already* backed: Smart Calendar, one of a flush of digital timetables that emerged around the same time.

The interaction raises a puzzling question: How had Nosek forgotten the face of one of his backers, someone he'd shared several breakfasts with? Perhaps it had been a long time since their last meeting. Or perhaps an eccentric, driven founder put little stock in the facial composition of his money man. Or just maybe, Thiel was, for a brief moment, forgettable.

Though Nosek didn't recall his first encounter with Thiel in high fidelity, Thiel certainly seemed to. In *Zero to One*, he recounted how in that initial conversation, Nosek explained that he'd arranged to be cryonically preserved upon death, in hopes of being resurrected in the future. In Nosek, Thiel found something he would come to use as a kind of talent archetype: a startlingly brilliant and undeniably odd individual, willing to reason to conclusions that others were too timid to consider. That mixture of cerebral horsepower, intellectual liberty, and disregard for social mollification spoke to something in Thiel, perhaps because it reflected so much of his own demeanor. Thiel soon followed Nosek's lead, giving control of his remains to cryogenic provider Alcor.



As of that Stanford talk in mid-1998, all three of Founders Fund's founding fathers had officially met. Though it would take another seven years for the trio to launch their venture fund, a deeper collaboration began almost instantly.

Spite Store

"Hi, I'm Larry David and I want to tell you about a new store I'm opening called Latte Larry's."

So begins episode 9, season 10 of *Curb Your Enthusiasm*, the meta comedy of manners from Seinfeld's legendary creator. "Why am I getting into the coffee game?" David

continues. “Because I went to the coffee shop next door and the guy was such a *jerk* that I felt like I had to do something. Now, you know what? I’ve got me a little Spite Store.”

With that, David added another phrase to the cultural lexicon, alongside *Seinfeld* favorites “close talkers,” “master of my domain,” and “sponge-worthy.”

Spite Store, noun. A commercial enterprise used to exact revenge on a rival by competing for their customers.

At least on one level, Founders Fund was Peter Thiel’s spite store. While the snippy “Mocha Joe” motivates Larry David, Thiel’s endeavor can be viewed as a response to Sequoia Capital’s Michael Moritz. An Oxford-educated journalist by training, Moritz is one of venture capital’s true legends, responsible for early investments in Yahoo, Google, Zappos, LinkedIn, and Stripe. An investing power slugger with a literary bearing, Moritz appears at regular intervals throughout the early part of Thiel’s story, foiling his plans and slighting his allies.

It all began at PayPal.

The same summer that Thiel recruited Howery, he met Max Levchin, a talented Ukrainian-American entrepreneur. Like Nosek, Levchin had graduated from the University of Illinois, where he’d built a profitable encryption product for PalmPilot owners. Over smoothies, Levchin convinced Thiel of its promise. “That’s a good idea,” Thiel said. “You should do that. And I’d like to invest.”

Though he could not have known it, Thiel was not only making an exceptional investment decision — his $240,000 check would ultimately deliver a $60 million windfall — but entering into the dotcom era’s most vivid opera, which alternated between tragedy, farce, and, ultimately, triumph. (*The Founders* offers a full accounting.)

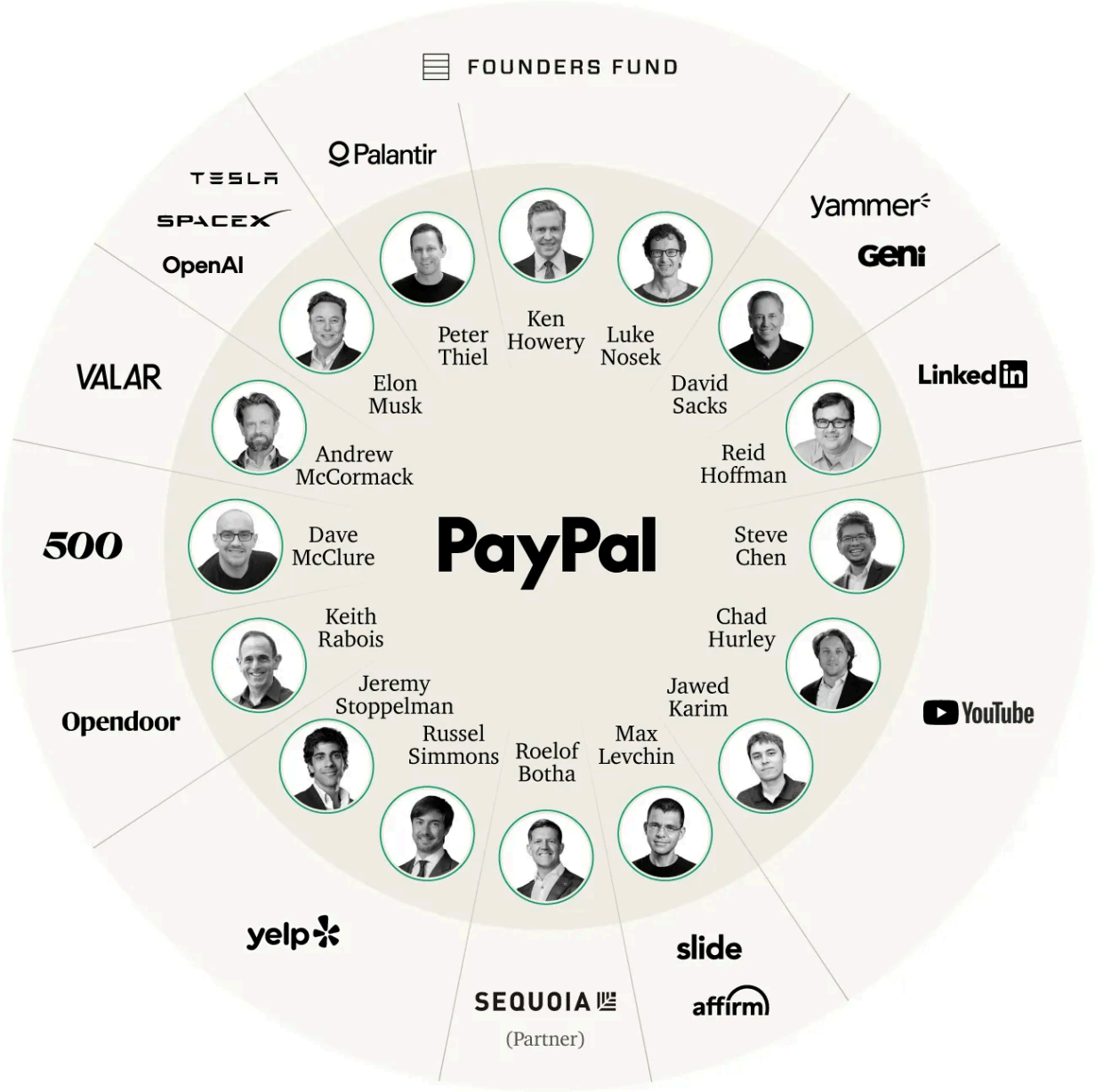
Levchin quickly recruited Nosek, whose calendaring company had died. Shortly after, Thiel and Howery joined as full-time employees, with Thiel taking on the CEO

mantle. Reid Hoffman, Keith Rabois, David Sacks, and many others would follow to form one of the most talent-rich startups in Silicon Valley history.

It did not take long for the company — originally named Fieldlink, before rebranding as Confinity — to collide with rival firm X.com, run by a brash South African entrepreneur named Elon Musk. Rather than burn through their capital in an extended war, Confinity and X.com agreed to join forces. They named the combined company after Confinity's most popular feature, which connected email addresses to payments: PayPal.

The Mafia

PayPal's insane talent density



The merger not only meant annealing two opinionated management teams but welcoming the other party's investors. Moritz, who had invested in Musk's X.com, suddenly had to wrangle with a new cadre of awkward geniuses.

The first indication that Thiel and Moritz were a marriage of strained convenience arrived on the back of the merger. The same day the companies announced their partnership to the press, March 30, 2000, they shared the news of an $100 million Series C.

Thiel had been critical in pushing the round to a definitive conclusion, concerned by what he saw as a worsening macroeconomic backdrop. His concerns proved prescient. In a matter of days, the dotcom bubble had begun to burst, sending many of the era's buzziest names toward painful deaths. By pushing to get the deal across the line, Thiel had saved PayPal from a similar fate. "I give the credit to Peter," one employee said. "He made the macro call and said, 'We have to close on this … because the end is near.'"

It wasn't enough that his shrewd macro reading had saved the company, though. Thiel, a hedge fund investor by disposition, saw an opportunity to turn a profit. At a meeting with PayPal's investors in the middle of 2000, Thiel made his modest proposal: if the markets were poised to drop further, as he believed they were, why not short them? All PayPal needed to do was transfer its new $100 million war chest to Thiel Capital International and he could take care of the rest.

Moritz was apoplectic, and reasonably so. Thiel was asking for permission to gamble with company money during an economic bloodbath. "Peter, this is really simple: if the board approves that idea, I'm resigning," another board member remembered the Sequoia investor warning. For his part, Thiel couldn't understand such a hidebound reaction. The fundamental divide was between Moritz's desire to *do* right and Thiel's to *be* right. It was not easy to find common ground between those two epistemological poles.

In the end, both won and both lost. Moritz succeeded in thwarting Thiel's plan, but Thiel was right: the market tanked. If they'd had the right positions, PayPal and its backers could have made a killing. "We would have made more money [investing] than anything we did at PayPal," one backer said.

If that boardroom debacle fed a fermenting distrust between the two men, a clash just a few months later ensured that it did not heal. In September 2000, PayPal's employees — led by Levchin, Thiel, and Scott Banister — staged a coup against current CEO Elon Musk. PayPal did a good line in coups in those days, having launched a putsch against short-lived outside CEO Bill Harris.

That had been a relatively bloodless affair, but, true to form, Musk did not go quietly. To get him out the door, Thiel's insurgent force had to convince Moritz to ratify their plan to give Thiel control of the company. The Sequoia investor did so, on one condition: Thiel could become CEO, but only on an interim basis.

As it happened, Thiel had little interest in being PayPal's long-term CEO. His skills lay in the cerebral rather than the logistical. But Moritz's edict forced him into the humiliating position of hiring his replacement. Only after the leading outside candidate told Moritz that even *he* would recommend appointing Thiel full-time did the Sequoia investor abandon his initial plan. The push-and-pull of being asked to step aside only to be anointed full-time CEO aggravated Thiel, a man with a talent for holding a grudge.

Despite PayPal's formidable dysfunctions, it survived and ultimately succeeded. Thiel had Moritz to thank for the scale of the outcome. In 2001, eBay offered to acquire PayPal for $300 million. Thiel considered it a good offer and advocated for a sale, while Moritz pushed for PayPal to hold out. "He was the hedge fund guy," Moritz later said of Thiel, "Wanted to take all his money out. I mean, goodness gracious." Thankfully for all involved, Moritz convinced Levchin of his side of the argument, and PayPal stayed independent. Not long after, eBay returned with a better offer: $1.5 billion, five times the figure at which Thiel had advocated exiting.

It made Thiel and the rest of the company's "Mafia" very wealthy men, while Moritz added another hit to his growing tally. Had they been different people, perhaps time might have sanded down the enmity between Thiel and Moritz, grading into begrudging friendship. Instead, it was the first act in an ongoing battle.

Clarium calls

As the thwarted $100 million macro bet suggested, Thiel had never lost the investing bug. Despite PayPal's demands, he and Howery continued to manage Thiel Capital International. "We worked a lot of nights and weekends, making sure it was still going," Howery said.

Befitting Thiel's broad interests, they cobbled together a salmagundi of a portfolio, mixing equities, debt, foreign exchange, and early-stage startups. "We did about two or three deals per year," Howery recalled, highlighting IronPort Systems as an especially shrewd bet during that period. Founded in 2002, the email security provider later sold to Cisco in 2007 for $830 million.

Thiel's $60 million windfall from PayPal's acquisition poured gasoline on his ambition and investing. Even as he scaled assets under management, he seemingly couldn't help himself from moving in multiple directions at the same time, chasing macro investing greatness, formalizing his venture practice, and founding another company.

Clarium Capital was at the heart of these efforts. The same year the PayPal acquisition closed, Thiel turned his attention to launching the macro hedge fund. "We are trying to pursue a systemic view of the world like that which Soros and others said they pursued," Thiel explained in a 2007 Bloomberg profile.

It seemed a perfect fit. Thiel naturally thought in grand, civilizational trends and was congenitally disposed to disagree with whatever the moment's prevailing wisdom happened to be. It did not take long for him to demonstrate how that lens, when applied to market problems, could produce impressive returns. In just three years, Clarium climbed from $10 million in assets under management to $1.1 billion. In 2003, Clarium logged a 65.6% gain betting on a weakened dollar; after a lackluster 2004, it sprang back to life the next year with a 57.1% return.

Around the same time that Thiel set to work building Clarium, he and Howery explored the idea of turning their ad hoc angel investing into a dedicated venture fund. It didn't hurt that the numbers showed they had a knack for it. "At a certain point we

looked at our track record and the IRRs were in the high double digits, in the 60% to 70% range," Howery said. "We were like, 'Wow, this is on a very part-time basis, without even focusing on it. What if we formalized this and created a fund around it?'"

It took a couple of years for those discussions to become concrete, but by 2004, Howery got to work raising a $50 million fund, initially called Clarium Ventures. As before, he and Thiel looped in Luke Nosek, who joined on a part-time basis.

Compared with the billion-plus the hedge fund was managing, $50 million seemed like a drop in the bucket. But even with the trio's PayPal bona fides, it proved a challenging raise. "It was actually super-hard — much harder than I would have expected," Howery said. "Nowadays, everyone has a VC fund, but back then, that wasn't the case. It was a very unusual thing to do."

Institutional LPs showed little interest in backing such a small fund. Howery initially hoped to convince Stanford University's endowment to anchor, for example, but they stepped away after learning of the fund's size. That left individual LPs. Even though many of their former colleagues had benefited from the acquisition as well, the trio were able to drum up only $12 million in external capital. Eager to get to work, Thiel decided to make up the shortfall himself, investing $38 million (76%) into Fund 1.

Skin in the game

Peter Thiel's personal investment in every Founders Fund vintage

Fund	Size	GP (Thiel) Contribution		Other Investors
FF I (2005)	**$50M**	$38M	**76%**	$12M
FF II (2007)	**$227M**	$22M	**10%**	$205M
FF III (2010)	**$250M**	$61M	**24%**	$189M
FF IV (2011)	**$625M**	$167M	**27%**	$458M
FF V (2014)	**$1.1B**	$253M	**23%**	$847M
FF VI (2017)	**$1.4B**	$373M	**27%**	$1.0B
FF VII (2020)	**$1.5B**	$284M	**19%**	$1.2B
FF VIII (2023)	**$979M**	$249M	**25%**	$730M
FF Growth I (2020)	**$1.7B**	$249M	**15%**	$1.5B
FF Growth II (2023)	**$3.4B**	$920M	**27%**	$2.5B

“The rough split was that Peter put up most of the money, and I was doing most of the work,” Howery said of those early days. Given Thiel’s other commitments, that division of responsibility was not so much a choice as a necessity.

Gate-Crasher

Though LPs could not have known it at the time, in 2004, Clarium Ventures was the best-placed firm in Silicon Valley. That was thanks to two personal investments Thiel had made in the year leading up to the raise.

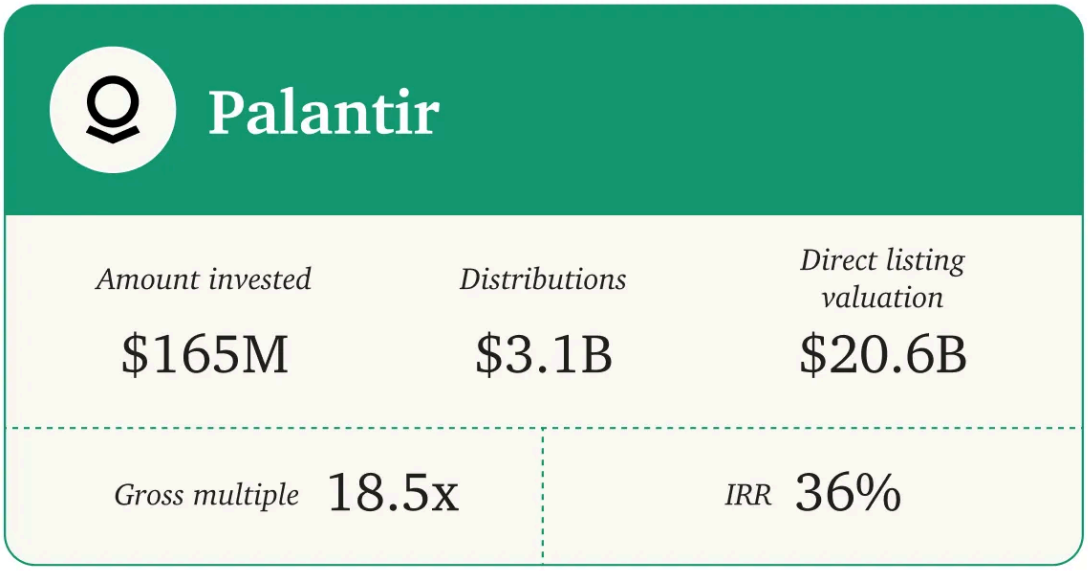
The first was Palantir. As in the early Fieldlink days, Thiel played the twin role of co-founder and financier, incorporating the business in 2003 and getting it off the ground. He was joined by PayPal developer Nathan Gettings and two Clarium Capital employees, Joe Lonsdale and Stephen Cohen. The next year, Thiel tapped a former

Stanford Law School classmate to take over as CEO: the quixotic, curly-haired Alex Karp.

Palantir's mission was provocative. Like the mystical "seeing stones" — the *palantiri* — in J.R.R. Tolkien's *Lord of the Rings*, the company sought to empower its users to see and communicate across vast expanses, using fraud detection techniques honed at PayPal. Rather than serving other enterprises, however, Thiel targeted the U.S. government and its allies. The September 11 terrorist attack on New York City had left him worried about the West's future. "It was a mission-oriented company," Thiel said in a 2013 *Forbes* profile. "I defined the problem as needing to reduce terrorism while preserving civil liberties."

As with Clarium Ventures, raising capital proved a challenge. Investors saw little promise in selling to slow-moving government buyers. A Kleiner Perkins executive commandeered Karp's pitch, using the time to explain why the company would never work. Old foe Mike Moritz took a meeting with Palantir's CEO, only to doodle his way through it. It seemed like another barb aimed at Thiel.

Though the company didn't resonate with Sand Hill Road VCs, it found a receptive audience at In-Q-Tel, the CIA's venture arm. "The most impressive thing about the team was how focused they were on the problem … how humans would talk with data," a former executive remarked. The firm became Palantir's first outside investor, writing a $2 million check. It would grow to become a major financial and reputational winner for Thiel and his fund. In the years that followed, Founders Fund would invest $165 million into Palantir, making it the firm's sixteenth-largest position by capital in. As of December 2024, the fund's stake was valued at $3.05 billion, an 18.5x return. But such outlandish riches were still years away.



Thiel's second key investment leading up to the founding of Clarium Ventures provided a faster boost. In the summer of 2004, Reid Hoffman introduced a 19-year-old Mark Zuckerberg to his old friend and fellow PayPal Mafia member Peter Thiel.

Hoffman and Thiel had known each other for nearly two decades by that point, first meeting as Stanford undergraduates. Despite occupying opposite ends of the political spectrum, the pair had become friends, delighting in long, philosophical sparring matches. They made something of an odd couple, the avuncular Hoffman a stark contrast to Thiel's sphinx-like inscrutability.

Hoffman had been first to start a company, launching SocialNet in 1997. Though ill-fated, it was a prescient business: an early social network designed to help people connect over shared interests. When Hoffman stepped away from SocialNet, Thiel convinced his friend to join as Confinity's COO.

By 2004, Hoffman had returned to social networking, as both an investor and founder. The year prior, he'd invested in Friendster and started the professionally-focused LinkedIn. Throughout that journey, he and Thiel had traded thoughts on the promise of social networking.

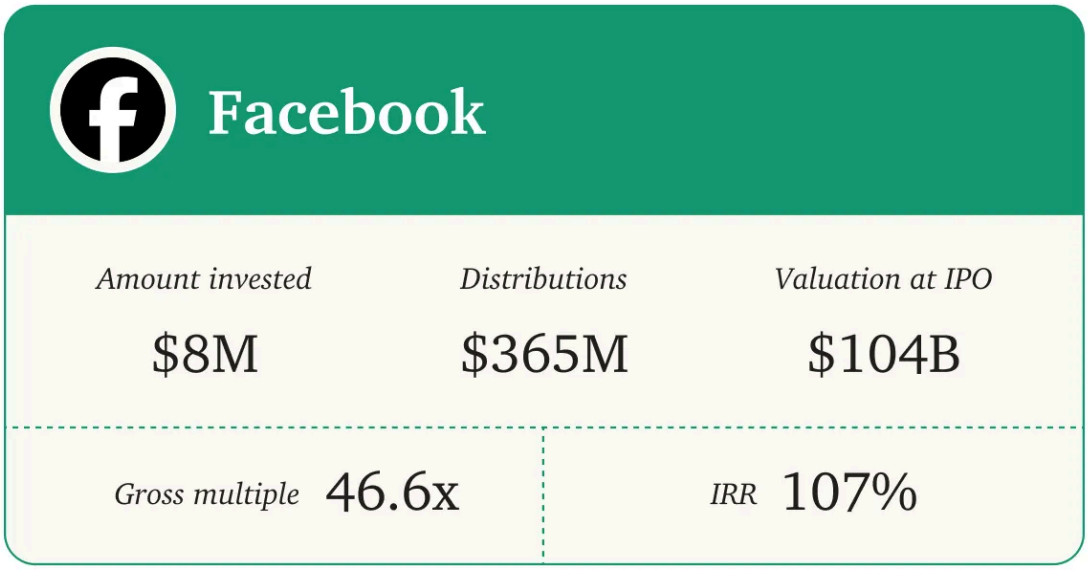
All of those conversations meant that when Hoffman and Thiel met Zuckerberg at Clarium Capital's swanky Presidio office, they arrived with prepared minds and deep conviction. "We'd done a lot of homework on the whole social networking space," Thiel told an audience at a *Wired* event. "We'd thought about this a lot. It actually didn't depend that much on what happened in the meeting at all. We were going to invest pretty much no matter what."

It didn't hurt that in the teenage Zuckerberg, Thiel found the generation's archetypical founder. Dressed in a T-shirt and Adidas sandals, Zuckerberg showed a steadfast disinterest in posturing. He neither sought to ingratiate himself with Thiel nor showed any shame in asking the PayPal veteran to explain financial terms he hadn't heard of before. In short, he showed the "Asperger's-like social ineptitude" that Thiel would describe as "an advantage in Silicon Valley" in *Zero to One*. Rather than seeking social status through imitative competition, Zuckerberg was already running his own peculiar operating system.

A few days after the meeting, Thiel agreed to give $500,000 to the company — in the form of a conditional loan. He did so as a protection against the legal troubles looming over the startup from ousted co-founder Eduardo Saverin. The terms were simple: if Facebook hit 1.5 million users by December 2004, Thiel's injection would convert into a 10.2% stake. Otherwise, he had the right to request his capital back.

Though Facebook failed to hit that threshold by year-end, Thiel had seen enough to allow his loan to convert into equity. To put it mildly, that proved to be the right decision, minting more than $1 billion in personal gains.

Though Thiel's venture firm did not reap the returns from that initial investment, Founders Fund would benefit from his involvement, participating in Facebook's later rounds and investing a total of $8 million into the business. In time, that outlay delivered $365 million in LP distributions, a 46.6x multiple.



The returns could have been even greater. Years later, reflecting on his biggest errors, Thiel would refer back to the Facebook Series B with particular frustration. At the time of his angel investment, he'd valued Facebook at approximately $5 million. Eight months later, Zuckerberg came to Thiel, telling him he had a Series B offer at an $85 million valuation. Rather than accepting those terms, he suggested Thiel's firm lead the round.

"It felt like we had really maximized the valuation," Thiel recalled. "Part of the psychology was that, on the inside, things didn't feel like they'd changed that much. There was still this horrible graffiti on the wall of the office. There were still only about eight or nine people — so every day that you went to the office, it actually felt it was the same company you had been at the day before."

A year later, Thiel corrected his mistake, doubling down in Facebook's Series C, which valued the firm at $525 million. The entire episode taught him a crucial, counter-intuitive lesson. "Whenever you have these massive up-rounds led by smart investors, almost as a rule of thumb, they are undervalued," he said. "It's because when these companies have momentum, people undervalue that momentum. When things change, they underestimate how much things have changed." A willingness to concentrate on the fund's winners would become a Thiel hallmark.

The Book of Thiel

COMMANDMENT I

Insiders Undervalue Breakout Startups

Existing investors struggle to adjust to a portfolio company's rapid growth. As a result, they almost always undervalue it in subsequent rounds.

Irrespective of that misstep, the shop called Clarium Ventures was off to a screaming start. The rest of the world just didn't know it yet.

Parker

Sean Parker had his own reasons to carve Michael Moritz's name into the pages of his Burn Book.

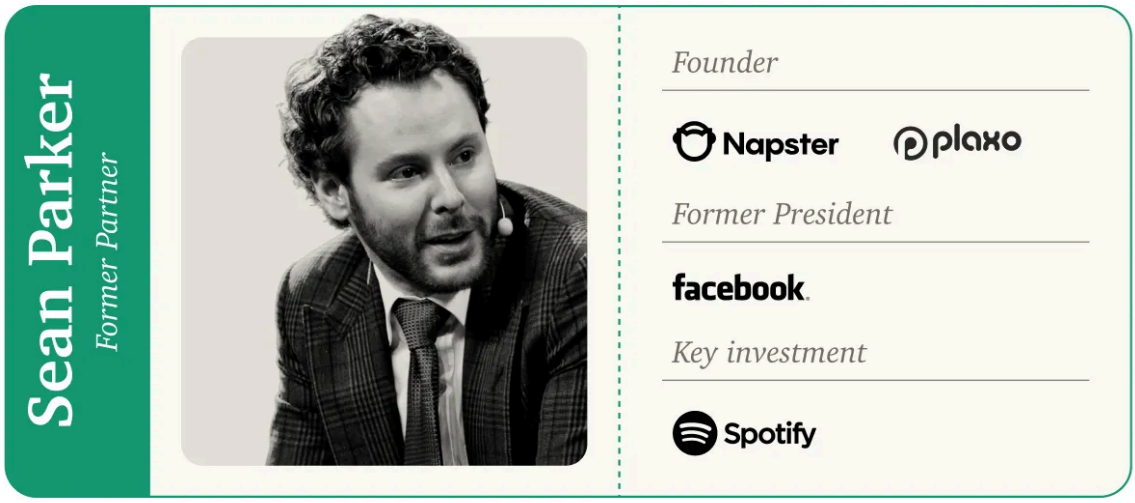
The son of a TV advertising broker and a prominent oceanographer, Parker had burst onto the tech scene in 1999 as the 19-year-old founder of peer-to-peer music sharing application Napster. That project had earned Parker respect, notoriety, and the attention of infuriated musicians and major labels. Despite valiantly fighting in the courts, and revolutionizing how the broader world understood the internet's potential applications, Napster shut its doors in 2002.

That left Parker, who had started programming at the age of 7, to consider how else he might apply his technical brilliance and entrepreneurial predilections. The same year Napster shut down, Parker launched Plaxo, an application to manage and update contacts. It would later add early social media features, enabling Plaxo members to share content. That pitch, and Parker's reputation as a frightening wunderkind, attracted $20 million in venture capital from Sequoia's Moritz, among others.

Plaxo followed the Napster trajectory in miniature, getting off to a hot start before descending into chaos. Even twenty-one years later, the exact sequence of events is hazy. According to contemporary reports and books summarizing this period of tech history, Parker ran Plaxo erratically, keeping unusual hours, derailing the team's focus, and succumbing to mood swings. In this respect, he was not so different from many brilliantly mercurial tech founders. But by 2004, Moritz and angel investor Ram Shriram had reportedly had enough. If Plaxo was to get back on track, they needed Parker out.

Parker initially acquiesced, but when his attempts to sell some of his Plaxo shares were stymied, hostilities deepened. To prove Parker had been fired for cause, Plaxo's backers reportedly hired a private investigator to tail him and examine phone and email activity. They found indications of drug use, extending the melodrama. Parker characterized it as recreational, having no impact on his work performance.

Whatever the truth of the matter, Parker's defenestration arrived in the summer of 2004. It would turn out to be a blessing in disguise. Almost immediately after leaving Plaxo, Parker began working with Mark Zuckerberg.



Sean Parker by Kmeron for LeWeb11 Conference, CC BY 2.0

The pair had met earlier that year; Parker had watched the social app conquer Stanford's campus at lightning speed and cold emailed its founder to learn more. Intrigued, he even flew to New York to meet Zuckerberg in person, taking him to dinner at a buzzy Tribeca restaurant and overdrawing his bank account in the process. At the same time the Plaxo dream crumbled around him, Parker ran into Zuckerberg in Palo Alto.

A brief but fabled partnership was born, with Parker taking on the role of Facebook President. One of his first acts was to enact revenge on Michael Moritz and Sequoia. By November of that year, Facebook had reached its 1 millionth user, galvanizing the Valley's VCs to jockey for introductions. Sequoia was no different.

Rather than shut them down immediately, Parker and Zuckerberg devised a brutal gambit. First, instead of pitching Facebook, they pitched Wirehog, a beloved Zuckerberg side project that he couldn't bear to kill. To their surprise, Thiel's former PayPal colleague Roelof Botha — who'd joined the firm as an investor — encouraged them to pitch Wirehog to the full partnership, keen to build a relationship. On the day of their pitch, they arrived purposely late in pajamas and proceeded to walk through a deck titled "The Top Ten Reasons You Should Not Invest in Wirehog." A few of its slides:

- "We have no revenue"

- “We showed up at your office late in our pajamas”
- “Sean Parker is involved”

“There was no way we were ever going to take money from Sequoia, given what they’d done to me,” Parker said. For a firm with so many stunning victories, Facebook is perhaps Sequoia’s greatest loss.

As that story suggests, the Napster founder played a critical role in Facebook’s early fundraises, acting as Zuckerberg’s guide to the world of venture capital. That meant that when Zuckerberg met Thiel and Hoffman at Clarium’s Presidio office, Parker was there too. Although Thiel and Parker had met each other before that point, during the latter’s Plaxo days, it was through Facebook that they laid the groundwork for an eventual partnership.

It was spurred on by yet another ousting for Parker, and this time he could not blame Moritz. In August 2005, Parker rented a party house on the North Carolina shore, bringing friends and his Facebook executive assistant — a woman under the drinking age. Noise complaints resulted in a police search that turned up cocaine. Parker was arrested for possession, and though he was never charged (and denied knowledge of it), the ensuing crisis forced his departure from Facebook.

In hindsight, it was the best outcome for all parties: Zuckerberg benefited from the more experienced entrepreneur’s guidance but was ready to take on a more active managerial role, Facebook’s investors freed themselves of a brilliant but volatile frontman, and Parker was dispositionally disinclined toward the rigors of running a company.

“I’m always gearing up for a really big push and achieving a lot and then kind of disappearing,” he conceded in the book *The Facebook Effect*. “Which is not a good trait if you want to be operationally involved in a company day-to-day.”

Peter Thiel had a better use for Parker’s talents. Just a few months after his departure from Facebook, Parker joined Thiel’s venture firm as its newest General Partner. By then, it had a new name: The Founders Fund. (Eventually, like The Facebook before, it

would decide to drop the "the." We can only hope Parker was involved with that decision too.)

It was a name better suited to the firm's ambitions and identity. As much as Howery and Thiel had been encouraged by the strong performance of their angel investments, their desire to offer an alternative partner to entrepreneurs was at least as strong a motivation. "We obviously had some frustration with some of our investors at PayPal," Howery said. "We were like, 'There's probably room to do this in a much different way.'"

That "different way" was simple but provocative: Unlike the investors they'd worked with, Founders Fund would never move to oust an entrepreneur from their own company. Such a dictum sounds mundane in today's market, in which firms compete to show their "founder-friendliness," but it was genuinely novel at the time.

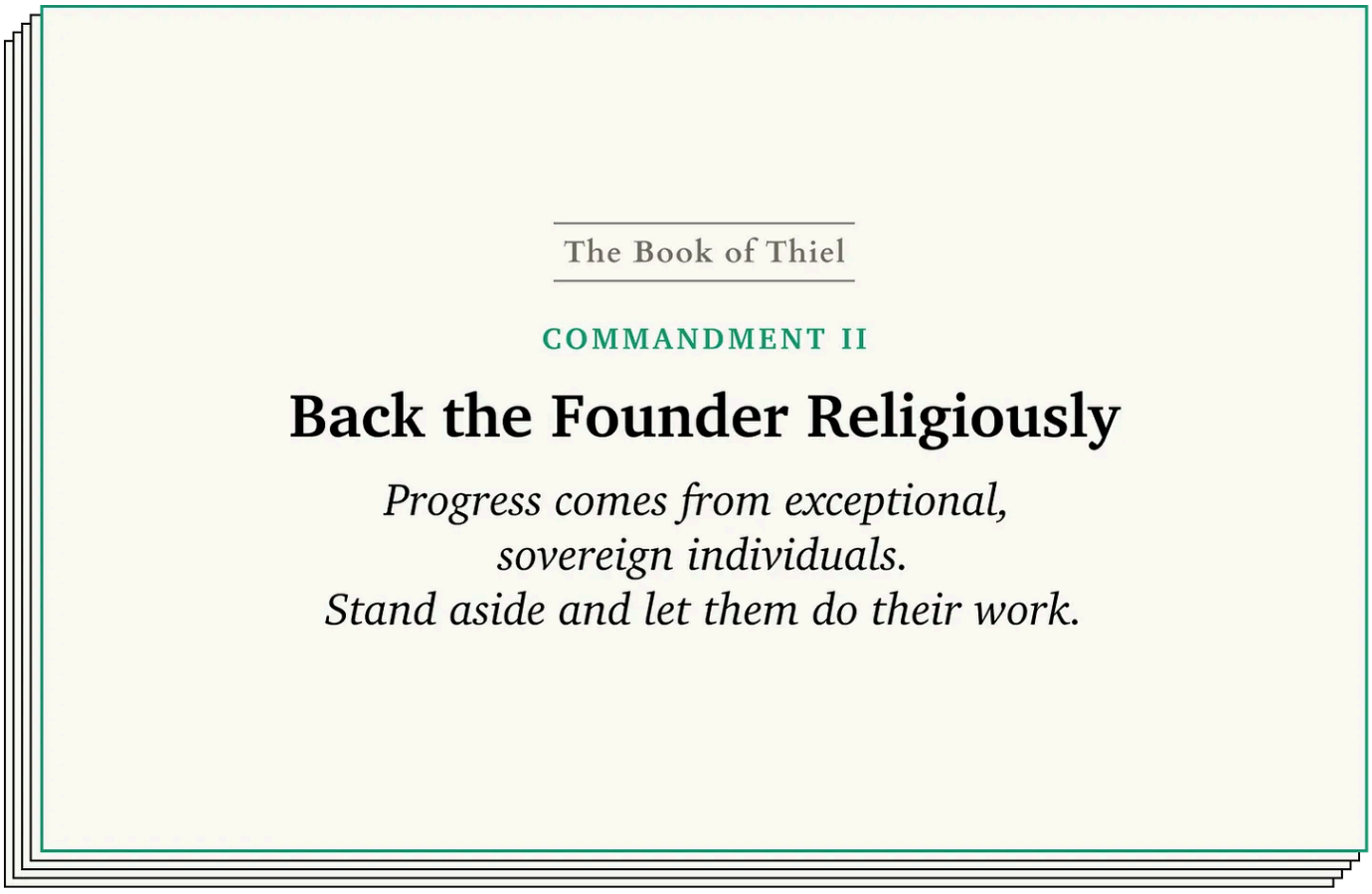
"They created the idea of being founder-friendly. Now we take it for granted," Flexport CEO Ryan Petersen said. "The default in Silicon Valley was that you would find a technical founder, hire a GM or CEO type, have that guy on top, eventually fire the technical founder, and eventually fire the CEO too. The investors really ran the company. That's how venture capital worked for its first 50 years until Founders Fund came in."

It's a good distillation of venture history. Starting in the 1970s, Kleiner Perkins and Sequoia Capital thrived by following a version of that playbook, taking an activist approach to management. It worked wonderfully, with wins like Atari and Tandem Computers seemingly benefiting from aggressive company-building.

Though the world had changed over the next thirty-plus years, venture's blue-chip shops still operated with aspects of this mentality: Power rested with the backers, not the builders; if a company was failing, ship out the CEO. Don Valentine, Sequoia's legendary founder, supposedly suggested that subpar founders should be "put in a cell with Charlie Manson."

“They grew up in this era where there had been a few famous examples of VCs removing management from companies,” Stripe co-founder John Collison remarked. “They grew up counter-positioning against the classic 1990s VC model.”

Aligning itself with the entrepreneur provided a nifty bit of differentiation for Founders Fund, but its posture extended much deeper than mere marketing. Thiel’s reading of history, philosophy, progress — almost everything — fundamentally differed from his peers in the industry. At both an intellectual level and an emotional one, Thiel fervently believed in the genius of the sovereign individual, the Randian divinity of Great Men. To shackle those with the courage and capability to transcend conventional boundaries was not only economically dense but an act of civilizational vandalism. “These people would destroy the creations of the most valuable inventors in the world,” Luke Nosek decried, summarizing Founders Fund’s disdain for its peers.


The Book of Thiel
COMMANDMENT II
Back the Founder Religiously
Progress comes from exceptional,
sovereign individuals.
Stand aside and let them do their work.

Naturally, Sean Parker subscribed to that ethos. Despite his successes, the 27-year-old’s appointment carried real risks. An article announcing the new addition noted

that “Parker’s past still has some investors in Thiel’s fund nervous.” The former Facebook President himself seemed unsure of the fit. “I’m still super-insecure,” he said at the time. “I always feel like the underdog. I walk away from meetings asking myself, ‘Did I add any value, or are they going to tell other people they shouldn’t talk with us?'”

As it turned out, Parker’s presence *did* lead to someone encouraging the market to steer clear of Founders Fund: old foe Mike Moritz.

After closing on $50 million in 2004, Founders Fund went back to market in 2006, seeking to raise between $120 million and $150 million. By then, their story already looked different. They’d added Parker to the team, and Luke Nosek had agreed to come aboard full-time. Even more critically, Facebook was tech’s hottest company and Thiel had been its first external investor. Founders Fund had gone from the strange sub-scale side project of a hedge fund investor to an emerging power player.

That didn’t seem to sit well with Moritz. According to Howery and others, the Sequoia gerent looked to stymie their fundraise. “It was when we were raising Fund II,” Howery recalled. “I guess at the Sequoia annual meeting, they put up a slide saying something like, ‘Stay away from these Founders Fund guys.’ We started getting notified by a bunch of people.” Brian Singerman, who joined two years later, also mentioned the anecdote, adding further detail: “They announced that any of their LPs that invested in Founders Fund would never be let back into Sequoia.”

Contemporaneous reporting suggests that it wasn’t quite so explicit. In an LP address, Moritz commented on Sequoia’s admiration for founders who stay at their companies for a long time, highlighting several prominent entrepreneurs who had not done so. One of those was “a partner at Founders Fund” — presumably Sean Parker. Though Founders Fund itself was not mentioned, the intimation was clear: Parker and his ilk were callow arrivistes. “We expressed our ever increasing admiration and appreciation for the founders of companies who elect to build great, enduring enterprises, rather than the fast-money crowd who place their personal interests above those of their co-

founders, employees and other stakeholders," Moritz wrote in response to an article highlighting the event.

The move backfired. "We had a bunch of investors saying, 'Oh wow, why is Sequoia that worried?' It almost gave the opposite signal, that 'these guys would actually be great investments,'" Howery said. "I think it actually got us new investors — a number of people reached out because of it."

That year, Founders Fund closed on a $227 million Fund II. This time, Thiel put in 10% of the money. That was a hefty stake, but on a percentage basis, it was much less than the 76% he'd needed to put into Fund I.

"It was our first institutional fund," Howery said. "It still wasn't easy to raise, but some of the bets were starting to pay off and we got some more press. It was the first time we were able to get institutions. Stanford basically led the fund, and a bunch of other groups were able to get on board."

Founders Fund was growing, winning over the market, and beginning to show the power of its peculiar brand of investing.

Moonshots

Thiel was steadfastly anti-structure. He could imagine few things less savory than scheduled check-ins or set agendas. That meant that Founders Fund operated in a state of productive disorder for its first two years, with Howery harrying down deals to show his partners. Given Thiel's work at Clarium Capital, his time was at a particular premium. "I could get him in on certain meetings," Howery said, "but I had to make the most efficient use of the limited time he had."

Parker's addition may not have changed the fund's fundamental operating philosophy, but it did introduce a little more regularity. "When Luke and Sean joined, all three of us could go meet a company. Or maybe one of us would meet a company and take the first meeting and then bring in the others before we decide on an investment for the firm," Howery said. "We could bring in different perspectives on the investments."

Thiel, Howery, and Nosek had worked with each other for years by the time Parker joined, and brought complementary skills to the equation. “I don’t want to oversimplify, but Peter was the 30,000-foot thinker — he thought about high-level trends, competition, valuation. He was the contrarian,” Howery said. “Obviously Luke ran marketing at PayPal, so he’s very creative, very analytical. And I’d be very focused on the team and the people — that lens. I was also the first CFO at PayPal, so, as much as there was financial modeling required, I could do that part too.”

Parker added a new ability to the mix, per Howery. “He was definitely the best at product — he really understood how products work. His experience at Facebook meant he understood consumer internet very well. He could figure out the gaps that needed to be solved on the internet and say, ‘We should find a company in each of these sectors.’”

In addition to his canny grasp of the internet’s dynamics, Parker’s personality fit in well with the PayPal alums. “We liked him: a lot of fun to work with, very fascinating character, super-smart,” Howery said. His charm was a particular strength. “He’s very charismatic when we were trying to close a deal.”

Facebook and Palantir were undoubtedly the most important investments of Founders Fund’s early years. It did snag another smaller win, betting on social media marketing platform Buddy Media, which sold to Salesforce for $689 million in 2012.

It also logged its first major miss, failing to back YouTube. Founded by PayPal alums Chad Hurley, Steve Chen, and Jawed Karim in 2005, the video-sharing network should have been squarely in Founders Fund’s strike zone. Instead, the firm sat it out, allowing Roelof Botha and Sequoia Capital to step in and capture a sizable win, delivered at rapid speed. Just a year after its founding, Google acquired YouTube for $1.65 billion in stock.

By any measure, though, Founders Fund’s first few years of operations were remarkable. They were about to get even better. In 2008, Thiel ran into his old PayPal rival Elon Musk at a friend’s wedding. As busy as Thiel had been in the four years

since the payment company's acquisition, Musk had been even busier, using his payout to fund two new companies: electric carmaker Tesla and rocket company SpaceX.

It was a good time for the pair to reconcile after Musk's acrimonious ousting at PayPal. While the rest of the venture market chased the next consumer internet hit, Thiel had started to lose interest. As a young Stanford undergraduate, Thiel had grown fascinated with the work of French philosopher and faculty member René Girard. In Girard, he saw not only an intricate, aberrant mind, but a contrarian, operating against the Stanford ecosystem's prevailing climate. "[His ideas] were very much out of temper with the times, so it had sort of a natural appeal to a somewhat rebellious undergraduate," Thiel recounted. In short, Girard did for Thiel what Thiel would do for so many others — enchanting and ensnaring him with the originality of his ideas.

Chief among them was Girard's postulate that human desire did not arise organically but imitatively. We do not want something because of the endemic value it possesses, Girard argues, but because someone else does. A child only cries for a specific toy once he sees his playmate reach for it.

For Thiel, "mimetic desire" explained the world around him better than anything else. He would return to the concept throughout his career. In the wake of Facebook's meteoric rise, he watched the venture asset class descend into mass mimesis, looking for the next social hit.

The Book of Thiel

COMMANDMENT III

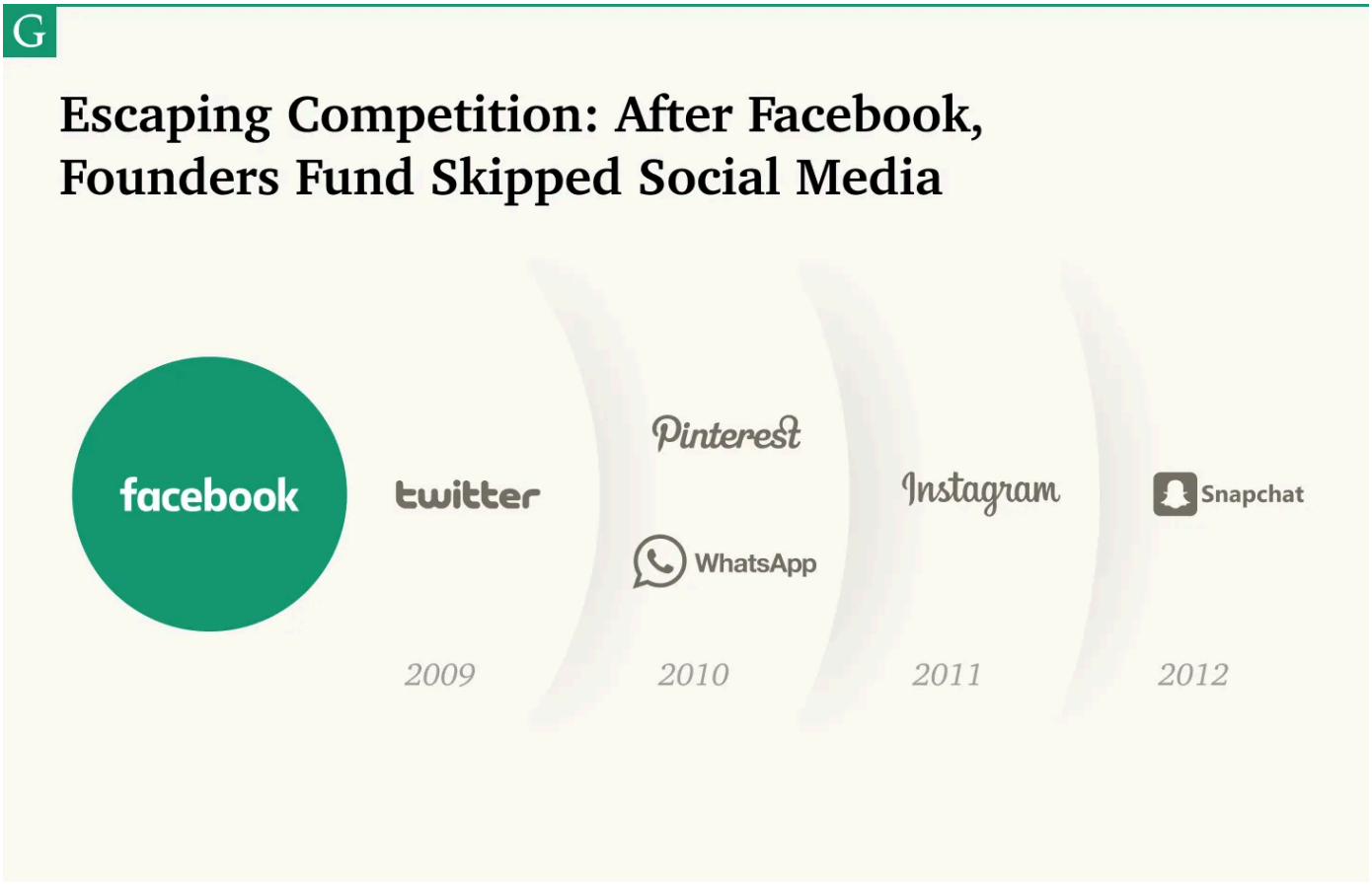
Mimesis Rules Everything Around Us

Humans do not want something
because of its intrinsic value,
but because someone else wants it first.
Our attempts to capture these objects
lead to mass mimesis.

Founders Fund did not avoid the sector — it backed Gowalla, a local social network later acquired by Zuckerberg's company — but it seemed to do so begrudgingly. Almost as a reflex, Thiel's studying of Girard had trained him to *want differently*. To watch collective desire effervesce and run in the opposite direction. In *Zero to One*, he would articulate this dynamic. "All happy companies are different," he wrote, riffing on Tolstoy's *Anna Karenina*, "Each one earns a monopoly by solving a unique problem. All failed companies are the same: they failed to escape competition."

Venture capital was not exactly the same; there were no monopolies to be had. But as much as he could, Thiel oriented the firm around this idea. You found edge by visiting places other investors wouldn't or couldn't. And once they found their conviction, their courage, it was time to escape. Rather than search for Founders Fund's next outlier among a crop of slick, nimble fast followers, Thiel would focus on hard tech, on the companies building in the world of atoms instead of bits.

There were trade-offs to this approach. After snagging Facebook, Thiel missed almost every other major social hit over the following years, including Twitter (2006), Pinterest (2009), WhatsApp (2009), Instagram (2010), and Snap (2011). Given its relationship with Facebook, Founders Fund arguably should have been first to see all of them.



But you would trade all of those outcomes for SpaceX. Because of Thiel's steer toward hard tech, his firm was unusually predisposed to Musk's strange, scarcely believable moonshot. Shortly after their wedding encounter, Thiel emailed his partners advocating for a $5 million investment in SpaceX. "Part of my thinking was that it would be a way to patch things up from the PayPal saga," Thiel later recounted, an indication that he was not yet sold on Musk's technology.

He had reason to be skeptical. By the time Thiel and Musk had reconnected, SpaceX had endured three failed launches and was running out of money. It didn't have capital to attempt a fourth, and committed backers had started pulling their funding. One

previous SpaceX investor accidentally revealed just how little they thought of the company, copying Founders Fund on an email.

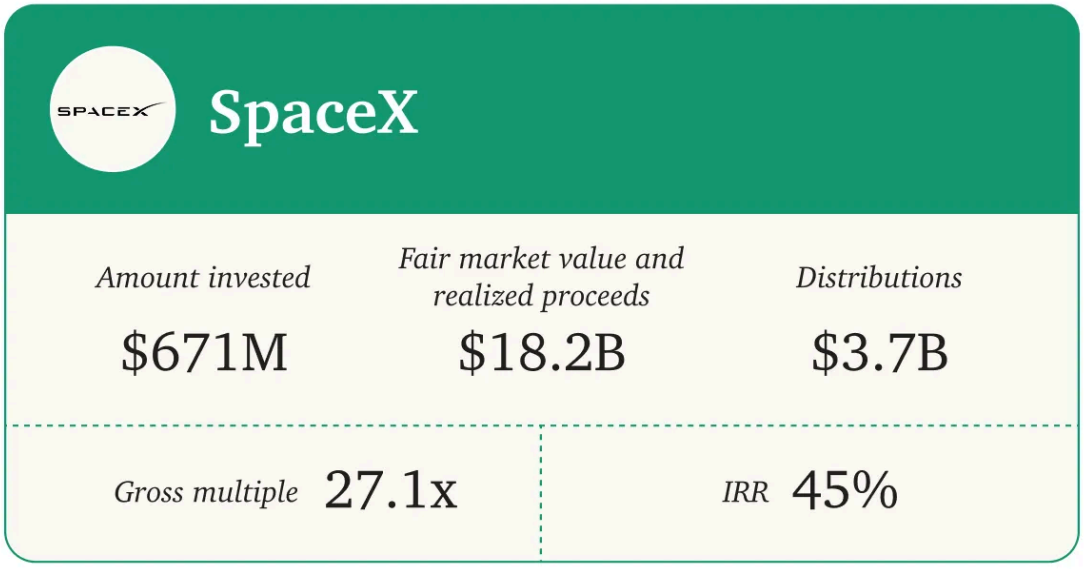
While Parker recused himself from the process, deciding space exploration was too far outside his wheelhouse, the rest of Founders Fund's partners leaned in. The team saw potential both in SpaceX's founder and technology.

"I was in favor from the beginning," Howery said. "We had passed on a few companies started by other PayPal colleagues, and those had been mistakes. I realized we should have done 100% of them. So I thought we should definitely do this one."

It is to Luke Nosek's immense credit that Founders Fund didn't just follow through on an investment but increased its check size. As the deal lead, Nosek advocated in favor of putting in $20 million at a $315 million pre-money valuation, four times the $5 million Thiel had initially earmarked. That would have made it the largest check in the fund's history up to that point.

The partnership trusted Nosek's read. "We backed the truck up and put in $20 million," Howery said. "That was just under 10% of our second fund." It is arguably the single smartest investment decision Founders Fund ever made, quadrupling its stake in its best performer.

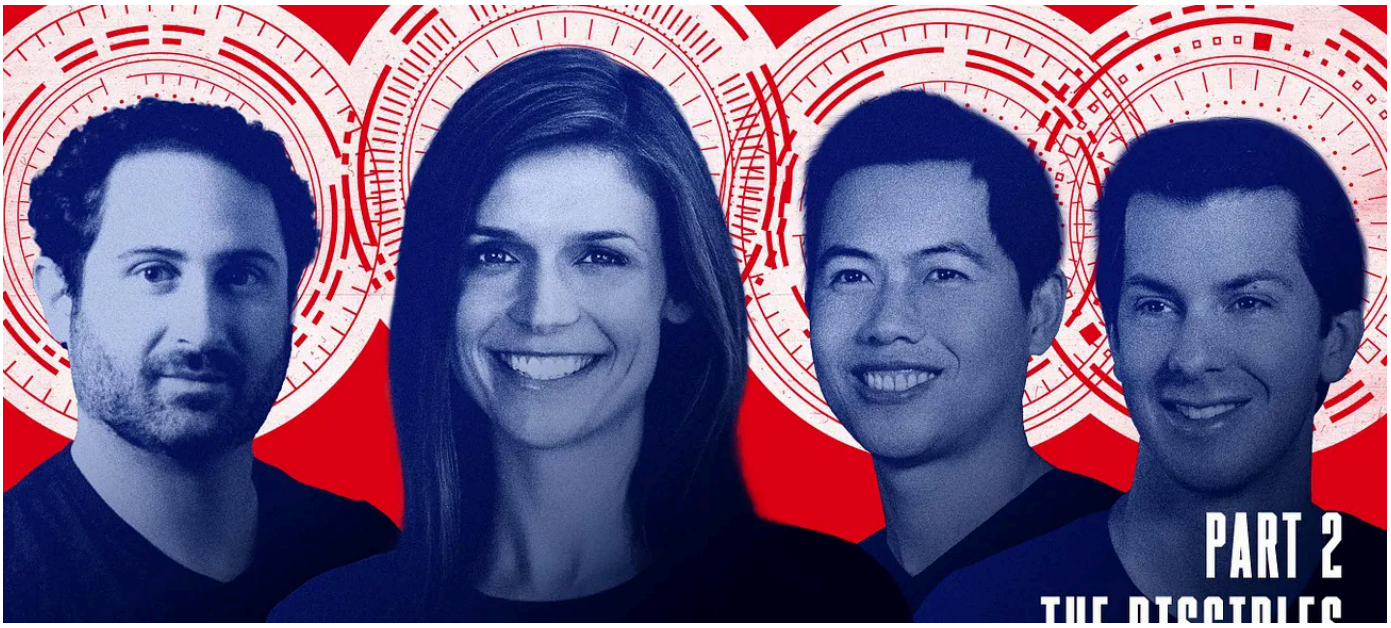
That did not make it a popular one. "It was really controversial. A number of our investors certainly thought we had lost our minds," Howery said. One prominent LP that Founders Fund had been courting for the next vehicle severed ties. "We fell out because of it."



By doing so, that LP — whoever they were — missed out on the astonishing upside generated from the investment. Over the following 17 years, Founders Fund would invest a total of $671 million into SpaceX, making it its second most concentrated position behind Anduril. Returns data estimates that position to be worth $18.2 *billion*, a 27.1x multiple. A December 2024 secondary sale led by SpaceX saw the company and other investors buy out insider shares at a $350 billion stake.

No Rivals: The Disciples (Part II)

MARIO GABRIELE • JUN 19



Peter Thiel is not a manager. But his singular eye for talent allowed him to assemble an unorthodox team that went on one of venture's hottest streaks.

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